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Customs and Excise
Final report
1928

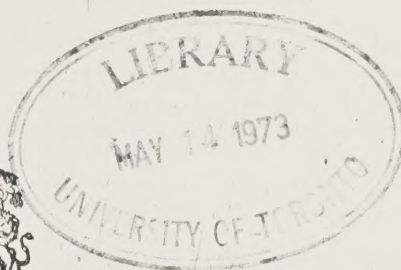


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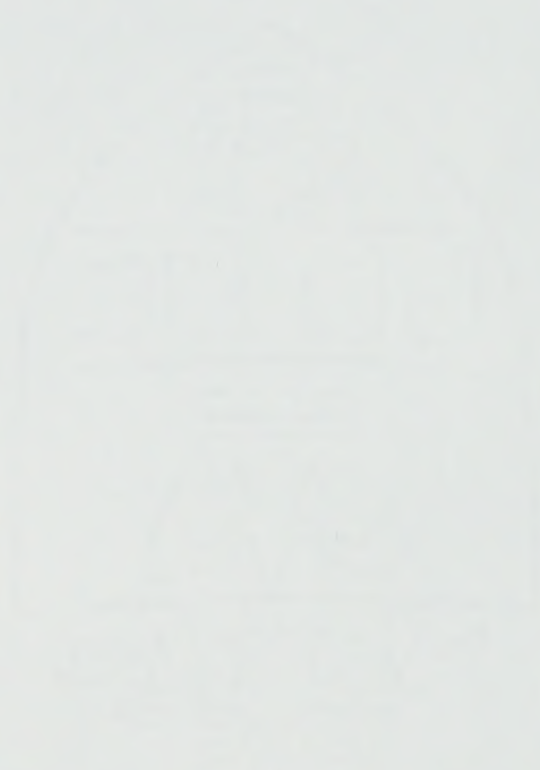
ROYAL COMMISSION
ON
CUSTOMS AND EXCISE

FINAL REPORT



OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1928

1924-1925



INDEX

	PAGE
Acknowledgments.....	24
Activities of Commission.....	5
Appointment, Powers and Duties of Commissioners.....	3
Appraisals.....	8
Auditing.....	12
Books of Account.....	16
Bureau of Information.....	7
Consular Agents.....	8
Enforcement of Laws relating to National Revenue.....	10
Entries, Customs.....	16
Findings and Recommendations.....	6
Frauds.....	19
Headquarters Administration.....	7
Inspection.....	11
Investigation Branch.....	10
Legislation, Suggested.....	21
Licenses and Licensees.....	15
Moieties.....	11
National Revenue Board.....	14
Officers of Commission.....	5
Port Administration.....	16
Ports of Entry.....	18
Preventive Service.....	9
Promotions and Transfers.....	13
Regulations.....	7
Relieving or Occasional Staff.....	13
Sale of Forfeited goods.....	9
Sale of Unclaimed goods.....	15
Seizures.....	9
Smuggling.....	18
Treaty with United States.....	23
Vacancies in Staff.....	12

Royal Commission on Customs and Excise

To His Excellency the Governor General in Council.

The Commissioners appointed to investigate the administration of the Department of Customs and Excise of Canada beg leave to make their final report as follows:—

APPOINTMENT, POWERS AND DUTIES OF COMMISSIONERS

On the 5th day of February, 1926, the House of Commons unanimously resolved,—


“That a special committee of this House, consisting of nine members, be appointed forthwith to investigate the administration of the Department of Customs and Excise and alleged serious losses to the public treasury because of inefficiency or corruption on the part of officers of the Department and others, and that such investigation extend back over such period of time as the Committee may decide, and have regard to all matters affecting the prevention of smuggling, the prosecution of offenders, the seizure, storage and disposal of smuggled goods or goods seized for purposes of excise or other taxes, the appraisal of goods for revenue purposes, the collection of Customs and Excise duties, the knowledge of Ministers or officials of offences or irregularities affecting the public service in said Department, the efficiency of the administration thereof, and the necessity of safeguarding the public revenue and the public treasury, and that such Committee has power to send for persons, papers, and records, to adjourn from place to place, to print the evidence taken before the Committee and to report from time to time.”

In pursuance thereof, the special Committee thereby appointed reported to the House of Commons, and their report was adopted on the 18th day of June, 1926.

On the 29th of June, 1926, the House of Commons resolved unanimously that the following paragraph should be added to the Committee's report:—

“Since the inquiry indicates that the smuggling evils are so extensive and their ramifications so far reaching that only a portion of the illegal practices have been brought to light, your Committee recommends the appointment of a judicial Commission with full powers to continue and complete investigating the administration of the Department of Customs and Excise and to prosecute all offenders, and that such judicial Commission should consist of a Judge to be named by the two Judges of the Exchequer Court of Canada, said Judge acting as a Commission, to have all the powers conferred upon such Commission under the Public Inquiries Act. The said Commission to have powers to make findings and recommendations and to report the same to Parliament at the opening of the next session together with the evidence taken before the said Commission.”

By an Order in Council, July 20, 1926 (P.C. 1161), the Honourable Sir François Xavier Lemieux, Chief Justice of the Superior Court of the Province



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of Quebec, was appointed Commissioner pursuant to the provisions of Part I of the Public Inquiries Act, chapter 104 of the Revised Statutes of Canada, 1906,

"to continue and complete the said investigation of the administration of the Department of Customs and Excise of Canada; that he shall have as full and the like powers in that connection as were originally committed to such Committee of the House of Commons as aforesaid, and that he shall have power to make findings and recommendations from time to time during the inquiry and to report the same with the evidence taken before him or at his direction to Your Excellency in Council for submission to Parliament at the opening of the next session thereof."

FINAL
REPORT

By a subsequent Order in Council dated September 28, 1926 (P.C. 1467), the said Honourable Sir François Xavier Lemieux, Chief Justice of the Superior Court of the Province of Quebec, Chairman; the Honourable James Thomas Brown, Chief Justice of the Court of King's Bench, Saskatchewan; and the Honourable William Henry Wright, a Justice of the Supreme Court of Ontario, were appointed Commissioners pursuant to the provisions of Part I of the Inquiries Act (chapter 104 of the Revised Statutes of Canada, 1906) to continue and complete the said investigation of the administration of the Department of Customs and Excise of Canada, and to inquire into and report upon the matters set forth in the said Order in Council with the full and the like powers in that connection as were originally committed to such Committee of the House of Commons, and to have power to make findings and recommendations from time to time during the inquiry, and to report the same with the evidence taken before them at their discretion to His Excellency in Council for submission to Parliament from time to time as received from the said Commission.

By the said Order in Council it was further ordered that the said Commission should have the power to continue the investigations already commenced by the said the Honourable Sir François Xavier Lemieux, and that all evidence already taken before the said Commissioner should be available to and might be used by the said Commission as if taken before them.

The Honourable Sir François Xavier Lemieux having resigned, by Orders in Council dated the 11th day of November, 1926 (P.C. 1844 and 1845 respectively), the Honourable James Thomas Brown was appointed Chairman of the said Commission, and the Honourable Ernest Roy, Puisne Judge of the Superior Court of the Province of Quebec, was duly appointed Commissioner in the place and stead of the Honourable Sir François Xavier Lemieux.

By a subsequent Order in Council passed on the 14th day of January, 1927 (P.C. 67), it was ordered

"that a supplementary Commission do issue to the said the Honourable James Thomas Brown, the Honourable William Henry Wright, and the Honourable Ernest Roy, authorizing them, in addition to the powers already conferred, to inquire into and report upon all matters coming under the administration of the Minister of Customs and Excise which affect the public revenue of Canada or relate to the operations of any person or corporation owning, operating or employed in connection with any business carried on under the provisions of the Excise Act or the Customs Act or any regulations made thereunder, or which are incidental or closely related to any of the matters or things hereinbefore or in the said Commission mentioned or referred to, and that they be authorized by the said Commission to be issued in that behalf to exercise all or any of the powers mentioned in section 11 of the Inquiries Act."

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OFFICERS OF COMMISSION

Counsel to the Commission were appointed by Order in Council in the persons of Honourable N. W. Rowell, K.C., and Mr. R. L. Calder, K.C., as seniors, and Messrs. R. B. Law and Gordon Lindsay as juniors.

Mr. Paul Leduc was appointed and acted as Registrar to the Commission.

The firm of Clarkson, Gordon and Dilworth were appointed auditors, and took charge of the accountancy and auditing work of the Commission under the direction of Mr. A. E. Nash.

Major A. J. Cawdron, a superintendent of the Royal Canadian Mounted Police, was assigned to take charge of such duties pertaining to the work of the Commission as came within the scope of his office.

The reporting and stenographic work was performed under the supervision and direction of first, Mr. E. C. Young, and subsequently, Mr. E. Nield.

ACTIVITIES OF COMMISSION

Public sessions of the Commission were held in every province of the Dominion at the following points: Victoria, Vancouver, Calgary, Regina, Ottawa, Toronto, Hamilton, Windsor, Niagara Falls, Montreal, Quebec, St. John, Halifax and Charlottetown.

Our first public session was held at Ottawa on November 17, 1926, and our last public session was held at Ottawa, September 14, 1927. During practically all the intervening period, the work of the Commission occupied and received the undivided attention of your Commissioners.

At the opening session of the Commission, the Chairman made the following announcement:—

"It might be well for me also at this time to state in a very concise way just what matters we are specially concerned with. As I see it, they can be enumerated under five headings:—

1. Smuggling of all descriptions which is conducted on a commercial basis;

2. Any serious breaches or practices in evasion of the Excise regulations;

3. Dereliction of duty on the part of officials connected with the Department of Customs and Excise, both of the inside and outside service;

4. The operation of the Treaty made between the Dominion of Canada and the United States of America for the prevention of smuggling at the International boundary, and whether any amendment to the Treaty is necessary or desirable;

5. Constructive suggestions, whether of a legislative or administrative character, which may be desirable to assure the suppression of smuggling and the better enforcement of the Customs and Excise laws. And let me say further, in conclusion, that the Commission is prepared to sit in every important centre, in every province of the Dominion where information of a material or substantial character is available bearing on these matters, and if anyone has knowledge of such information he will be rendering a public service by notifying counsel and the Commission to that effect."

Similar announcements as to the work of the Commission and the desire for information from all available sources were made at the opening session of the Commission wherever the Commission sat, and the widest publicity was given to such announcements through the press.

Counsel for the Commission in an effort to secure every assistance and all useful information possible invited the co-operation of the Attorney-General of each of the Provinces and of the Boards of Trade in the important centres throughout the Dominion.

This was done to give publicity to the aims and work of the Commission, and to secure from all possible sources any information and suggestions that might be helpful.

The members of the Commission have under instructions of Parliament or the Government investigated the operations of every brewery and distillery in Canada and have also investigated the operations of every company or individual where, from information received or obtained, it appeared there were any reasonable grounds for so doing. Including those made for the Parliamentary Commission, the investigations embraced 116 breweries and distilleries, 22 export houses and other export houses, and 247 other commercial concerns. This audit by the auditors, we believe, has been more thorough and searching and in many cases as appears elsewhere in our reports has shown grave irregularities, with consequent loss to the revenue of the country.

The evidence of all witnesses was taken under oath or solemn affirmation. Although a few persons whose evidence was desirable were not available, either through sickness or by evading service of our subpoena, practically all the witnesses whose evidence we did desire appeared before us. Such witnesses gave information which enabled us to make reasonably thorough investigation of the particular matters in hand.

All departmental files and information have at all times been made available to us and we have been given every assistance by the Minister of National Revenue and the departmental officials.

In all cases where the conduct or business operations of individuals or corporations was called in question or became the subject of investigation, such parties were afforded the fullest opportunity of defence and representation by counsel.

We have made many investigations on which we consider no report necessary. We have reported on only such cases as appear to merit some attention. In many cases the only source of information available to us was the party whose conduct was called in question. Such evidence was usually given only after protection under the Canada Evidence Act was claimed and consequently could not be used in any prosecution against such parties even though such prosecution might seem desirable.

We have recommended prosecution only in cases of flagrant irregularities and then only where there is a reasonable prospect of securing a conviction.

From time to time we made Interim Reports numbered 1 to 8 on matters which appeared to us to require early attention, and on other matters, which though important did not concern the general administration of the Department, we made special Interim Reports numbered 9 and 10.

FINDINGS AND RECOMMENDATIONS

Your Commissioners at this point desire to call attention to the magnitude of the task committed to them, namely *inter alia* to investigate the administration of the Department of Customs and Excise.

It might be opportune to note the development and growth of the business of the Department now designated the Department of National Revenue.

Prior to 1919, the Department of Customs and the Department of Inland Revenue functioned as two separate departments under two different heads. In that year, these departments were merged and since then have been administered under one Minister of the Crown.

FINAL
REPORT

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The duties pertaining to the departments have been largely augmented by reason of the various measures passed to increase the revenue, namely the Special War Revenue Act, 1915, the Business Profits War Tax Act, 1916, and the Income War Tax Act, 1917.

In the fiscal year ending March 31st, 1914, the revenue collected by the various Departments now merged in the Department of National Revenue was the sum of \$126,417,980.43, and in the fiscal year ending March 31, 1927, the amount collected by the same Departments had increased to the sum of \$345,241,967.01.

The importance of this Department will be apparent when it is stated that the total amount collected by all the Departments of Government in the last mentioned fiscal year was \$398,695,776.38.

Under these conditions, it is evident that the most efficient and intelligent methods of organization should be adopted. Our investigation, however, has disclosed that the changes in the organization necessary to meet the changed conditions have not been made.

Your Commissioners consider that in this report, they should first deal with the administration of the Department at its headquarters, Ottawa.

HEADQUARTERS ADMINISTRATION

REGULATIONS:

The regulations of this Department are very numerous but have not been for some years revised or consolidated, and as a result it is difficult for the officials to be fully conversant with the regulations governing their duties.

In the course of our inquiry, we discovered that many of the officials in the outside ports were not aware of the existence of regulations which directly concerned the duties imposed upon them, resulting in non-observance of such duties, a lack of uniformity in the different ports and in unnecessary correspondence with the Department at Ottawa.

This matter is of primary importance, and we recommend that a revision and consolidation of the various regulations be undertaken as soon as possible.

We are also of the opinion that the Department should prepare and issue to the various officials a manual of instructions defining the duties of the various officers and containing a summary of the regulations pertaining to their work.

BUREAU OF INFORMATION:

At present there is no well defined system of furnishing information to the officials of changes in regulations, of rulings made by the various branches of the Department at Ottawa, of cases decided in the courts touching the administration of the law affecting this Department, of the methods adopted in various parts of the country to evade the Customs laws and regulations, or of information of both interest and assistance to the various officials in the discharge of their duty.

We are of opinion that an Information Bureau should be established, and that at regular intervals, a periodical containing information along the lines mentioned should be issued to the various officers in the service. This would tend to keep the officials in close touch with the work of the Department, and tend to promote uniformity in the various ports throughout the Dominion.

This Bureau would serve as a clearing house to answer all inquiries respecting matters that officers in the outside ports might wish to make, and also serve to give to the public through the port officers any information concerning the Customs or tariff schedules that might reasonably be required.

It would also provide an efficient medium of communicating information of an urgent nature to the port officials.

APPRAISALS:

This question touches not only the administration at the Department in Ottawa, but extends through all the ports in the Dominion.

It has been recognized and must be admitted that a proper system of appraisal lies at the very base of the Customs administration. It is almost axiomatic that the staff of appraisers should possess the necessary expert and technical knowledge to enable them to discharge their duties efficiently. The present system fails to provide a staff of appraisers to meet these requirements. At present there is a Dominion appraiser known as a textile appraiser, but there should be a staff of Dominion appraisers possessing expert and technical knowledge of the various commodities they are called upon to appraise.

The duties of these officers should be to exercise a general supervision over the appraisers at the different ports, visit the several ports from time to time as occasion might require, and instruct and assist the various port appraisers in their duties.

These Dominion appraisers might constitute a Board of Appraisers to whom an appeal might be taken from the appraisal by any port appraiser, and their decision as to value should be final. This Board should not have jurisdiction to determine any question of law, or as to the classification under which the goods appraised should fall. These matters should, in our opinion, be decided by a National Revenue Board, with which we deal elsewhere.

Our inquiry has shown that the present system of appointing appraisers or other officers requiring expert or technical knowledge is unsatisfactory, and we are convinced that where expert and technical knowledge is required, the examination of the applicants for positions should be conducted by those who are specially qualified to act in the premises.

We are of opinion that all appointments to the office of appraiser at the different ports of the Dominion should be made by the Minister after examination of the applicants by the Board of Appraisers.

We quite recognize that this method of appointment would conflict with the system now in vogue under the Civil Service Act, but notwithstanding this we are of opinion that this method should be adopted.

We suggest that the Board of Dominion Appraisers when constituted should supersede the present Board of Customs in all matters and duties relating to appraisal.

CONSULAR AGENTS:

We are of the opinion that a proper system of consular agents in the various countries exporting large quantities of goods to Canada might with great advantage to the service be instituted. These consular agents should be stationed at the strategic points or places from which the greatest volume of exports to Canada originate, and might also act as trade agents to advise and assist in the promotion and establishment of trade between Canada and the countries in which they are located.

Their duties pertaining to the work of appraisal should be to inquire into and report upon all exports to Canada, to certify to the invoices and report any matter that would be of interest or assistance to the appraisers at the port of entry into Canada. They should be required to keep in close touch with prevailing prices and trade conditions in the various localities where they are stationed.

It is not intended to suggest that these consular agents would in any way supplant or interfere with the appraisal system already established, but would act as a very important auxiliary to the appraisers in their work. Such a system would operate as a check against the dumping of goods into this country and against undervaluation and other frauds on the revenue.

FINAL
REPORT

The consular agents should be familiar with the Customs forms and have a good general knowledge of business.

The experience in other countries where the system is in force has shown that it may be made self-sustaining by making reasonable charges for the services rendered.

SEIZURES:

The present system of disposing of seizures appears to be cumbersome and calculated to result in delay, denial of justice and often in a loss to the revenue. Under the present system, the seizing officer makes his report (K. 9) to the Department at Ottawa, and notice is then given to the person whose goods were seized requiring him to file his defence within 30 days.

When this period has expired, the facts are reviewed by the law clerk, who makes his report and recommendation and forwards same to the general executive assistant, who reviews the same, and sends it to the Deputy Minister, who in turn reviews the same and the report finally goes to the Minister, who has the final right of review and decision. [This system has resulted in great delay and a great accumulation of undecided cases, and ought to be radically changed.

We suggest that after the time has expired for the defence to be filed, the matter should be submitted to and adjudicated upon by a board or court of three officials whose decision should be final on all questions of fact, but in case a question of law is involved, an appeal might be allowed to the courts. This Board should, we think, be the Board of National Revenue, whose constitution and jurisdiction we shall define elsewhere in this report.

As an alternative procedure, we would suggest that instead of the three officials dealing with the seizure separately and successively, as at present, it should be disposed of by the same three officials acting collectively.

We note that under the present system the seizing officer is very often not made aware of the nature and particulars of the defence filed, if any, and thus has no opportunity of meeting or answering the same, nor is he advised of the reasons for the final decision. This practice ought to be remedied.

SALE OF FORFEITED GOODS:

The evidence discloses that the present method of dealing with the sale or disposal of forfeited goods does not follow proper business methods. The goods in many instances are retained for an unreasonable length of time, causing deterioration and often entire loss.

Our opinion is that when the decision has been finally rendered forfeiting the goods, the same should be forwarded to some central point which affords a market for goods of the class seized, and sold without delay.

It was given in evidence before us that in certain cases tenders are asked for the goods, and these tenders must be referred to Ottawa for acceptance. The delay consequent has often resulted in the sale proving abortive, and a resultant loss to the revenue. The regulations in this respect should be changed.

PREVENTIVE SERVICE:

We note that by Parliamentary action in connection with the special vote to the Department of National Revenue, a large sum of money was voted for the creation of a Special Preventive Service, and we learn that in pursuance of this vote, some radical and beneficial changes have been made in connection with this service.

In our view, the duties pertaining to the officers in the Preventive Service are such as require special aptitude, and cannot in general be fulfilled by the appointment of persons from clerical or other positions in the service.

The centralization of this service at headquarters appears to have been a mistaken policy, as it tended to create delay both in the conduct of the seizures and in the prosecution of offenders.

We would suggest and recommend that under the chief preventive officer, there should be regional officers having jurisdiction over defined territory not too great in extent as to prevent them from being in close touch with the activities of the officers under their command.

In connection with the future appointment of members of the Preventive Service, we would recommend that all applicants should be examined and reported upon by the chief regional officers in the respective districts as to their special qualifications, and that the Minister should have the right of appointment from those so reported as eligible.

We are also of the opinion that no officer of the Preventive Service should be entrusted with any duties in connection therewith until he has had a course of training, either by being associated with or attached to some preventive force, or by a course of training with the present Royal Canadian Mounted Police, or otherwise for a limited period, and that such training should consist not only in police work but in instruction in reference to Customs laws and regulations, so that when the officer is duly installed in the service, he would have an intelligent working knowledge of his duties, and be able to execute the same with the necessary tact and courtesy.

In the interests of efficiency and uniformity of control, we further recommend that all preventive officers in connection with this Department should be merged in one force, not subject to the provisions of the Civil Service Act.

INVESTIGATION BRANCH:

Our view is after due consideration of the matter that it is expedient to create an investigation branch with a director or chief officer at the head of the organization who would report and be responsible to the Minister of National Revenue.

To us it appears an open question of policy whether the chief officer in this branch should be under the chief preventive officer or be responsible directly to the Minister.

The services of the investigation branch would be of a nature auxiliary to the preventive service. This force should be in close touch with the Customs agents or consular agents in the event of that system being established in all the countries outside of Canada.

In our view, this branch should be composed of trained men who have a good knowledge of accountancy and are also familiar with the law, regulations and organization of the Department. Their duty should be to investigate all reported cases of fraud on the revenue, to have the power to examine books and records relating to Customs entries in the custody of importers, to investigate and report upon the prices of the imported articles in the country of origin and generally to carry on all investigations relative to all frauds on the revenue.

The recommendations we have made in respect of appointments to the Preventive Service should apply also to the method of appointment in this branch.

ENFORCEMENT OF LAWS RELATING TO NATIONAL REVENUE:

Closely allied to preventive work is the enforcement of the laws and regulations. We see no reason why parties committing frauds on the revenue should not be proceeded against with the same degree of promptitude and efficiency as usually characterizes prosecutions for enforcement of the provisions of the Criminal Code. This, according to the evidence, has not been so in the past.

FINAL
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For this purpose, competent counsel should be retained by the Department throughout the Dominion to act in such matters. They would thus become familiar with the National Revenue laws and regulations and be prepared to act promptly when called upon, and could be consulted by the Preventive Officers and other officials having similar responsibility in making seizures and in instituting and conducting prosecutions.

It would also appear advisable at least so far as smuggling is concerned that instructions from the Chief Regional Preventive Officer for prosecutions should be sufficient.

MOIETIES:

We found in very many cases that the present system of awarding and paying moieties was unsatisfactory. Under the existing regulations as they were at the date of our inquiry, the officer of the Department known as the seizing officer was entitled to share in the moieties in case his salary was under a certain stated amount. This provision was intended to stimulate such officers to activity in connection with seizures but had the effect of lessening the interest of the other officers of the port and in some instances led to an arrangement whereby certain of the junior officers would make the seizure and share the moieties with the Collector or other superior officer. This practice tends to weaken discipline, and the desirability of the system is questionable.

We believe that if no officer was permitted to share either directly or indirectly in any of the moieties, it would have a beneficial effect on the service. It is one of the duties of all officers of the Department to detect any violations of the Customs Act or regulations, and to take all necessary actions to have the offender dealt with according to law, and this duty should be performed without any such incentive as would flow from the awarding of moieties.

One of the chief objects of the moiety system of award is to induce those outside the service who have information or who are in a position to secure information to impart the same to the service. In many cases such informant never gets any award at all, although he has done his full duty and in most cases the distribution of the award when made is not made for many months, in some cases several years after the information is given or the seizure made.

The legislation contained in section 37 of chapter 50 of the Statutes of 1927 is a step in the right direction, and when regulations are made thereunder should in a marked degree improve the situation. That legislation, however, does not appear to go far enough as it provides only for the case where goods are seized, and for payment of an amount based on the value of such goods. In many cases, penalties are imposed for infractions of the Customs law or regulations where no goods are seized, and under the present practice there is little or nothing left for distribution to the informant by way of moiety after payment of expenses.

When information is given by anyone outside the service, which leads to seizure, fine or conviction, a minimum award of a reasonable amount should be paid forthwith; the balance, if any, might then await the result in accordance with the present practice. Even for such balance there does not appear to be any good reason for the great delays in payments heretofore experienced.

INSPECTION:

Our inquiry has disclosed that the present system of inspection does not function satisfactorily. For various reasons, the inspection has developed into an audit, an inspection of records and documents. In our view, the most useful feature of an Inspection Branch would be to investigate and report upon the observance of the law and regulations by port officers and the manner in which

the officers perform their duties, so that the Department might be possessed of all material information respecting the officers and so that a high standard of efficiency may be maintained. Our conclusion from the evidence is that very little, if any, attention is given to this phase of an inspector's work.

AUDITING:

We have found that the audit as conducted by the different branches of the Department is neither prompt nor thorough. This refers particularly to that made by the sales tax auditors. Either from lack of sufficient officers or from the incompetence of the auditors, the audit in the Sales Tax Branch is greatly in arrears. In some cases no audit has yet been made, and in other cases only at long intervals. The whole situation in this regard is highly unsatisfactory.

We found that the auditors in most cases prior to their appointment as such were without any experience in accounting or auditing and only gained what knowledge or skill they do possess from experience in connection with their work in the Department.

As a result of the investigation made by the auditors of the Commission, it is manifest that the audits made by the Sales Tax Branch were superficial and inefficient, resulting in very considerable loss to the revenue.

We are of opinion that none but persons with special training in accountancy should be appointed to this branch of the service, and the positions should not be filled as at present by promotions from other positions in the Department of officers who have had no training or experience in accountancy or auditing.

We therefore recommend that the appointment of auditors be made in the manner we have recommended for the appointment of skilled or expert officials in other branches of the service.

There are at present two sets of auditors employed by the Department in connection with the collection of sales tax and income tax and there is some duplication which might be and should be avoided.

We believe that if the collection of sales tax was transferred and entrusted to the Income Tax Branch, there would be considerable economy effected; a more uniform and thorough system of auditing followed, and less inconvenience to the taxpayers, and we recommend that this change be made.

It might also be noted that both of these systems of taxation are in a sense war measures and are being from time to time changed and we think it would be more logical to have them consolidated in one department.

VACANCIES IN STAFF:

It was stated in evidence before us that the practice invariably followed was that in case an employee of the Department was approaching superannuation age, he was allowed six months' leave of absence with pay, and thus the position did not become vacant until the expiry of this six months' period, so that no steps could be taken in the interim to fill the vacancy, as none in point of law existed.

After the expiry of the six months, the Civil Service Commission takes steps to fill the vacancy, and this very often is by way of promotion, and when the appointment is so made another vacancy is created, and so on down the whole line of employees, so that the ultimate result is that it takes a very considerable time to fill all the vacancies occasioned by the superannuation of the official first mentioned. This has resulted in very serious disorganization of the work of the Department and of the ports.

FINAL
REPORT

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The intended effect of the present system is to give the official a retiring allowance equal to six months' pay. However desirable this may be, it should not be allowed to impair the efficiency of the service, and the remedy ought to be found either in the making of a provision giving the official a retiring allowance equal to six months' pay in addition to the superannuation allowance to which he may be otherwise entitled, or else it should be abolished entirely.

PROMOTIONS AND TRANSFERS:

These are now under the direct control of the Civil Service Commission. As we have been entrusted with the duty of reporting upon all matters relating to the administration, we consider it incumbent upon us to report upon the prevailing systems in all branches, and on the desirability of any changes that might appear to us as proper to be made.

From the evidence given by the Chairman of the Civil Service Commission, it would appear that in the filling of vacancies, promotions are confined almost exclusively, if not entirely, to the officials in the port where the vacancy occurs and to residents in that particular community. In our view, this is an undesirable system and may prevent the most competent official being promoted or transferred to fill a vacancy. Our observation of the different officials who gave evidence before us, and the general condition of affairs in many of the ports, convince us that in very many of the smaller ports, there are officials who have attained the highest post in that port and are eminently qualified to fill higher and more important posts elsewhere should the same be open to them. Under the present system, they are denied the chance to be promoted, and thus merit has been made subordinate to seniority and residence in a particular centre.

We would recommend that in all cases of vacancies, the Minister should have the right to transfer an official from one port to another to fill such vacancy but before such transfer can be made, the inspector who is in charge of the district in which the applicant for transfer has functioned should be consulted as to the qualifications.

An alternative method would be for the applications to be made to the Civil Service Commission, and they in turn would submit the applicants to such examination as might be deemed proper and submit the names of those qualified to the Minister who would make the selection and transfer from the list so furnished.

In our view the Minister should also have the right to transfer an official from one port to another.

RELIEVING OR OCCASIONAL STAFF:

In our investigations, we found that the present provision for filling temporary vacancies in the different ports lacked system and calls for some improved methods.

Where a temporary vacancy occurs in a port, there does not appear to be any reserve staff from which can be drawn officers to fill the vacancy, and very often the work becomes congested or neglected, resulting in delays and detriment to the public service.

This condition might be remedied by the creation of a relieving staff. This staff could also be used to supply needed assistance in ports where seasonal officers are required owing to pressure of work at certain stated seasons of the year.

It has been brought to our attention that in some instances where collector-ships or other important offices in the service have become vacant, the vacancies have been temporarily filled by inspectors, and thereby the force of this branch of the service has been diminished in number and in point of efficiency.

It would appear that this force had been resorted to because it contains some experienced officials who can readily fill any post in the service. In our view, as emphasized elsewhere, the inspection staff holds positions of great importance, and requires to be kept up to the highest standard of efficiency. We consider that the inspection staff should not be diminished or depleted in favour of any other branch of the service unless the present force is materially increased, so that there would always be some members of that staff available to fill vacancies in collectorships or other important posts in the various ports without impairing the efficiency of the inspection branch of the service.

NATIONAL REVENUE BOARD:

The Board of Customs as at present constituted does not appear to operate satisfactorily. All the present members of this Board are Customs officers. Their duties are in some respects judicial and the members should be removed from departmental influence, and have all the authority and independence of a court.

No written record is kept of the evidence submitted, nor are any reasons or grounds of decision assigned. Obviously this is a defect as a decision of any Board which reviews previous rulings can be of the greatest value only when it gives the grounds or reasons of its decisions. To be of the greatest benefit to the service, these decisions and the grounds upon which the same are based should be communicated to the various officials of the Department for their future guidance.

Another defect is that the present Board does not take evidence under oath, and in connection with matters that come before it, it would appear that it very often has to decide upon important questions of fact. It is manifest that in such cases the evidence should be taken under oath.

The present Board sits only in Ottawa, and this appears to be objectionable. It has to decide upon matters arising in the different parts of the Dominion and parties who have business with the Board have to attend at great expense both in time and money, and very often they submit to what they consider an unjust ruling rather than go to the expense of carrying their case to the Board of Customs.

These are the principal defects in the present system, but though few in number they are serious in import.

We have considered the matter in the light of the defects in the present system and of the experience elsewhere in dealing with matters committed to a similar tribunal and our conclusion is that the Board of Customs as at present constituted should be abolished, and in lieu thereof there should be created a Board of National Revenue, composed of a chairman, who should have all the qualifications now required of a Judge of the Superior Courts of any of the Provinces, and two other members, one of whom should have experience in Customs matters, and be thoroughly conversant with the Customs Act, the regulations and the practices, while the third member should be one possessed of business training.

The jurisdiction of this Board should be:—

- (a) To hear all appeals from rulings in Customs matters, except as to the question of values, which will be finally decided by the Board of Appraisers;
- (b) To hear all appeals under the Income Tax Act, Special War Revenue Act, and all other Acts administered by the Department of National Revenue;
- (c) To adjudicate upon all seizures made by the Department or its officers;
- (d) To hear and determine all other matters that are now within the jurisdiction of the Board of Customs;
- (e) And generally to hear and determine such other matters as might be assigned to it.

FINAL
REPORT

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This Board or Court should hold sittings in each of the Provinces as business warrants.

It should also have the power to appoint one of its members or one of its officials to hear and determine pro forma seizures, that is, seizures where no defence is entered to the notice sent out under the present system by the Department.

Under the proposed system, we would recommend that all matters relating to seizures, notices, etc., be under the control and direction of this Board.

The constitution of the present Board of Railway Commissioners might to a very large extent be adopted in the organization and operation of this Board with such changes as the nature of the work might require.

The decision of the Board should be final on all questions except in matters of law in which case there should be an appeal to the Supreme Court of Canada.

SALE OF UNCLAIMED GOODS:

The evidence presented to us shows that there is an undue accumulation of unclaimed goods in some of the ports, resulting in a deterioration of the goods and congestion in the warehouse where the same are stored. This condition should not be allowed to continue, but the goods should be disposed of with promptitude.

LICENSES AND LICENSEES:

There are a variety of companies who conduct business as licensees of the Government, such as brewers, distillers, drug companies and vinegar companies. These licensees by virtue of their license are privileged parties and are expected to conduct their business in accordance with the laws and regulations governing the same, and should co-operate with the Government in the observance of all matters pertaining thereto.

Our investigations have disclosed the fact that many of these licensees have been guilty of most flagrant and persistent violation of the laws and regulations which they are supposed to observe. They have in this way abused the special privileges granted to them, and have by improper or deceitful methods defrauded the revenue.

Many penalties have been prescribed by Statute for such irregularities and offences, and a rigid enforcement of the laws in that regard is desirable. Apparently, however, this is not sufficient. Some of these licensees have been fined again and again and still persist in their improper practices.

In Interim Report No. 4, we dealt with this matter at some length and recommended what we repeat here, that the Minister should be given power to refuse, suspend or cancel the license. No other punishment provided appears to be sufficient under certain circumstances.

Where the management is shown to be guilty of a serious infraction of the law, the license could be suspended for a limited time and where the mismanagement is persistent, the license could be suspended pending a complete change in management or entirely cancelled as the case might require. This, of course, should not be done without giving the licensee a hearing.

In the event of a Board of National Revenue being established, as recommended elsewhere, such Board could be empowered to hear applications for suspension or cancellation, and the application could be made at the instigation of the Minister or of the Government of the province in which such licensee has its head office or in which it operates. In this way, we believe the difficulties that are referred to and emphasized in section IV of Interim Report No. 4 as to some of these licensees would be entirely overcome.

We also think greater care should be exercised by the Department in considering the application for licenses, as in the past, according to the evidence, these licenses have been granted too often as a mere matter of form.

BOOKS OF ACCOUNT:

Our investigation has disclosed that the Customs officials and all parties concerned with the collection of the revenue have been greatly hampered in their investigations by reason of the failure of certain importers to keep books of accounts and records containing the necessary information in respect of their importations, and we think that in the interests of the revenue, the Customs Act should be so amended as to provide that persons importing goods for re-sale in their business should be required to keep a complete record of all importations, and should also be required to retain all vouchers, invoices, and correspondence connected therewith for a reasonable period and that a proper penalty be imposed for default in compliance with such requirement.

As the Department has supervision over breweries and distilleries and other licensees under the Excise Act, we would recommend that in order to facilitate the proper examination of the production and operations of each distillery and brewery, a set of books should be required to be kept by the holder of every license and that such books should contain all the necessary information to enable the departmental officials to check the returns made by the licensees, and to investigate any alleged irregularities in connection with the conduct of the business of such licensees. This would facilitate the work of the officials, and would not operate as a hardship upon any of the licensees.

CUSTOMS ENTRIES:

A great deal of evidence presented to us was directed to show the method of entering goods for duty under the present system, and the abuses incident thereto. In the larger ports most of the entries are made by brokers authorized by the importer to make such entries. The broker is required to make an affidavit absolute in its terms as to the correctness of the invoice presented by him. In point of fact, the broker cannot in almost every instance truthfully make such an affidavit. The affidavit in question if made by a broker should be so changed as to require him to swear only to the best of his knowledge, information and belief.

In order that the revenue may be properly protected, we think that every entry made by a broker should be supplemented by an affidavit from the importer, or some person in his employ who possesses knowledge of the facts deposed to. In order to carry this into effect, a bond should be given by the importer or the broker upon entry of the goods conditioned that an affidavit will be produced within a stated time from the importer himself verifying the accuracy of the invoice, and in default of the production thereof, the bond would become forfeited to the Crown.

PORT ADMINISTRATION

We have dealt in the foregoing portion of this report with matters that affect in a general way the administration of the various ports, but there are a few others which specially concern the details of administration of these ports. We refer to:—

- (a) Marking of packages;
- (b) Selection of packages for examination;
- (c) Co-operation between the Preventive Service and the Collector and his staff;
- (d) Lack of instruction of officers;
- (e) Power to suspend officers.

FINAL
REPORT

We found in our inquiries that the packages containing a large percentage of the imports into Canada were not numbered or so marked as to permit of identification of the contents by reference to the invoices.

There is a regulation requiring the packages to be so marked or numbered. This regulation was generally disregarded and apparently its existence was unknown to the officials at the various ports. The result of the failure to require compliance with this regulation has in many cases resulted in an imperfect and incorrect appraisal, as the selection of a package which was not representative in any sense of the entire shipment or entry was in consequence made.

We found in many cases the requisite number of packages was not ordered up for examination as required by the Customs Act, but this was owing to the inattention to their duties of the officials entrusted with the duty of ordering up the same for examination.

In some cases it would work great inconvenience and cause congestion in the examining warehouse if one package in ten of a large shipment was ordered up for examination, but we think this difficulty could be met by requiring the collector under his own signature to approve of less than that number, in which case a report of his consent should be forwarded to the Department at Ottawa.

We are of opinion that where the goods are either so bulky or packed in such a manner as to render it inadvisable or inconvenient to have them opened in the examining warehouse that they should be opened in the warehouse of the importer in the presence and under the supervision of an officer of the department.

We found also that in some of the ports the goods were transferred from the train or vessel to the examining warehouse by carter or carrier in the employ of the importer. This practice should be discountenanced.

In several of the ports there was a signal lack of co-operation between the Preventive Service and the collector and his staff. In some cases it was not known to the collector who the preventive officer at that point was, or whether or not there was one appointed. Under these circumstances, there was no exchange of information between these officers. There should be the closest co-operation between these two branches of the service in order to make for the greatest efficiency.

Our investigation also disclosed that there is no method or system whereby officers appointed or promoted to posts receive any instruction from their superiors.

They have been expected to acquire working knowledge through their own efforts and observations. This has resulted in many instances in the officers failing to acquire an intelligent conception of their duties.

In connection with port administration, one of the most outstanding defects was the failure of all branches of the port to have affidavits or declarations required by the Customs Act taken properly. In most cases, the affidavits were not sworn at all. This was owing in part to the lack of proper instruction and supervision. This matter we found to be so general that we think it is of sufficient importance to call for a special direction to every collector instructing him to see that in future all oaths or declarations are properly administered.

Under the present practice, it appears that the Collector has no power to suspend any of his subordinates, no matter what the offence may be, but it requires him to report the circumstances to the Department and await instructions. We do not think this is desirable as it affords the wrongdoer an opportunity to prevent detection on account of the intervening delay. We believe that the collector should be entrusted with the power of suspension and would recommend that the regulations be amended to give effect thereto.

PORTS OF ENTRY

In various sections of the country we have taken evidence as to the necessity for the large number of ports of entry that now exist, and the result of such evidence has convinced us that a very substantial reduction should be made in the number of ports and out-ports.

This reduction was recommended by the special committee of the House of Commons in their report. (See paragraph 16.)

The evidence discloses that at the close of the fiscal year March 31, 1926, there were in Canada 148 ports, 358 out-ports, 219 preventive stations, and 48 post offices where revenue was collected, making a grand total of 773, or excluding the post offices, 725.

In our view, this number is unnecessarily large and might be very materially reduced without detriment to the public service or any inconvenience to business interests.

Appraisers who are called upon to value the imports would be fewer, and consequently greater uniformity in appraisal would prevail. One of the weaknesses that we have noticed is that in a great many of the smaller ports, the Collector has manifold duties to perform, among others the work of an appraiser, for which in many instances he has no qualifications whatever.

The reduction in the number of ports would to a considerable extent centralize the appraisal work and place it in the hands of competent appraisers, to the great advantage of the revenue.

The change we recommend would appear to be drastic and might interfere with the present facilities available for importers in some of the smaller ports, but we would suggest that in lieu of the present service there should be introduced a system whereby all postal and express parcels which at present form the bulk of the entries passed at some of the outports would be detained at the nearest port and there appraised. After appraisal the goods would be sent in bond by post or express to the post office or express office nearest to the residence of the importer, and the postmaster or express agent at these points could collect the duty under instructions from the port where the entry was passed.

This change would, in our view, extend the Customs facilities to many places where the same are not now available.

SMUGGLING

Our investigations disclosed that smuggling for commercial purposes was in certain sections of the country somewhat prevalent while in others it was confined largely to individual smuggling. Generally speaking, there was no efficient border patrol, and in many instances the Customs houses were not located in strategic positions to give the officers reasonable opportunity of detecting or preventing smuggling. A considerable number of the officers appeared to be apathetic to individual smuggling, and made no serious effort to prevent same. Their conduct would indicate that they had a misconception of their duties in that respect. They acted as if their sole duty was to receive entries and payment of duties by those willing to pay same.

Along the Atlantic coast there was a large amount of smuggling by the medium of vessels, mostly schooners. In this region there were no proper means of transportation for the preventive officers. There were not enough boats and the boats that were in the service generally speaking had neither speed nor equipment to properly cope with the situation.

Before the completion of our investigation, a special preventive force was in process of organization and we are not in a position to state whether such force is sufficient to meet the situation. The evidence showed that a strong preventive force was needed.

FINAL
REPORT

We have already noted that the location of the Customs house was not in all cases suitable, and we also found that at various border points, the present facilities for the examination of automobiles is entirely inadequate. This condition has developed with the growth of the automobile traffic.

The evidence taken by us established that smuggling of cigarettes and liquors was carried on on a very extensive scale.

Evidence was given in regard to the cigarettes that the price in Canada was so much higher than elsewhere that it offered an inducement or incentive to the smuggling of this line of goods. The difficulty of detection of smuggling of these goods is another reason for the prevalence of the practice, and even with an efficient preventive force, this condition would still obtain to some extent.

One of the factors in the price of cigarettes in this country is the high excise duty levied on same. There was evidence given before us that would indicate that a material reduction in the excise duty would materially diminish smuggling without seriously affecting the revenue.

In seeking a cause for smuggling of liquor on such an extensive scale as we found to exist, we had evidence presented to us which indicated that one of the reasons was the present high price of liquor in Canada, owing to some extent to the high Customs tariff on imported liquor and the high excise duty on liquor manufactured in Canada.

The incentive to the smuggling of liquor is the possibility of very large profits to the smuggler. This is possible because of the great difference in price between liquor legally manufactured or imported and that smuggled. This difference in price is due to a material degree to the high tariff on imported liquors and the high excise duties on liquors manufactured in Canada—the Customs duty being \$10 per gallon while the excise duty is \$9 per gallon. It may well be that with the profit to the smuggler substantially reduced, he will be loath to take the risks incidental to his operations.

As the sale of liquor in Canada is largely, if not altogether, in the hands of the various liquor boards of the provinces, the full benefit of a reduction could not be realized unless with the co-operation of the provincial authorities.

At present liquors exported to a foreign country are exempt from excise and sales tax, and there has been evidence adduced before us showing that considerable quantities of liquors alleged to be for export to foreign countries were in point of fact smuggled back into Canada. This condition offers another inducement to the smuggler, and we have elsewhere suggested that these taxes be imposed.

Another result of the present high price of liquor is seen in the somewhat prevalent practice of illicit manufacture of same.

CERTAIN FORMS OF FRAUDS ON THE REVENUE

This question presents itself under various heads, and it is difficult to attempt detailed classification of same. For the purposes of this report, we consider that a general classification may be made as follows: (This does not include direct smuggling).

1. Undervaluation.

Undervaluation would appear to be widespread and embrace many forms of evasion. Under this heading fall varied irregularities and unlawful practices employed by importers to defraud the revenue. One of the more frequent methods used is as follows:—

Presentation of false invoices with the entry of the goods. In some instances the invoice is furnished by the exporter who forwards two invoices,

one for presentation to the customs authorities, and the other for the importer, the latter showing the correct value, while the former shows a lower value and is prepared for the express purpose of defrauding the revenue.

2. *Overvaluation.*

Presentation of invoices showing a higher price than that actually paid. At first it might be difficult to understand how this could operate as a fraud on the revenue, but its purpose primarily is to avoid imposition of the dumping duty, so that in the result although the duty collected would appear to be larger than that properly chargeable on the actual price paid for the goods, yet this price might be so much below the current market price in the country of origin as to render the same liable to pay the dumping duty, and in the result the revenue would be defrauded, as the duty paid on the correct value plus the dumping duty would exceed in all cases the duty charged on the inflated value.

3. *Making of Sight entries, although the invoice is available.*

The importer in some instances informs the customs officials that the invoice is not available and makes a sight entry which often states the value to be lower than that disclosed on the invoice. It is the duty of the importer under the existing regulations to complete the sight entry by the presentation of invoices, but this duty on the part of the importer is very often neglected and overlooked by the officials. We propose as a remedy that where a sight entry is made a deposit should be made or bond given by the importer conditioned that he will within a certain limited time produce the regular invoices and perfect the entry.

4. *Non-payment of amending entries.*

In certain cases we have found that the importer relinquished his right to the packages forwarded to the examining warehouse, preferring this alternative to paying the additional duties called for by the amending entry.

5. *Misdescription of goods.*

In some instances the goods are not properly described and the misdescription is resorted to in order to secure a lower rate of duty.

6. *Misdescription of quantities.*

This method is a very difficult one to detect generally owing to the volume of business. The quantities are sometimes stated as very much less than what they really are. The remedy for this is for the examining officers to check the quantities stated in the invoices with the goods examined.

7. *A different user of the goods from that stated in the entry.*

The tariff contains certain provisions that where goods are imported for a certain specific purpose they are to be admitted at a low rate of duty, or in some cases duty-free, whereas when imported for certain other purposes they are subject to a duty at a higher rate. In more than one instance given in evidence before us goods that were stated to be for a certain specific use were afterwards sold by the importer, who was a dealer, and applied to an entirely different use. This would have resulted, in the cases mentioned, in a substantial loss to the revenue, but was detected and additional duty recovered.

As a remedy for this condition, we would suggest that in all such cases where goods are imported by a dealer and there is an alternative rate of duty, the higher rate of duty should be collected, and the importer allowed to make application for a refund or rebate of the excess of duty paid. We would also

FINAL
REPORT

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recommend that in all these cases the importer should be required to keep books of account showing the names of the customers and the uses to which the goods are to be applied, and that these records should be available to the customs officials at all reasonable times, and that on any application for a refund or rebate, they may be examined and investigated by the proper officers.

8. *The omission of packing, freight and insurance charges prior to shipment.*

It was developed in evidence before us that this is a very common practice with certain importers whose purpose is to defraud the revenue. This form of fraud could in most cases be detected by the officers in seeing that these charges were included in the invoice and added to the price. In the past such practices have succeeded in their object largely through the carelessness or neglect of the officials. This might be guarded against by requiring the declaration made on entry to cover these items.

9. *Omitting commissions paid to foreign agents on purchases.*

This is a method that is occasionally practised, and could be provided against to some extent by requiring the oath of declaration made on entry of the goods specified that the price indicated in the invoice includes charges of this and the like nature.

10. *Omitting to show costs of different processes of manufacture.*

It sometimes happens, as the evidence shows, that goods are imported into a foreign country to be there manufactured and exported to Canada. In the course of the manufacture, several processes are employed but in the invoice presented to customs, the cost of the materials and one or more of the processes only are shown, and the cost of some of the processes omitted. This obviously results in a loss to the revenue.

11. *Discounts.*

Numerous instances have been given before us of invoices presented to the customs authorities in respect of entries of goods showing discounts alleged on the face of the invoice to be trade discounts whereas in fact the same were cash discounts.

The present Act allows a cash discount of 2½ per cent, but frequently a larger percentage is allowed by the exporter who shows the same as a trade discount on the face of the invoice, thereby misleading the officials and defrauding the revenue. Detection of this method of fraud would properly fall within the duties of the investigation branch, if the same were established, as recommended by this report.

We have cited these various classes of fraud in order to show the necessity for the creation of an organization sufficient to cope with frauds of this character. We think the investigation branch would serve such purpose.

SUGGESTED LEGISLATION

In the course of our inquiries we have ascertained and had illustrated that the existing legislation is not sufficient to properly protect the revenue and we deem it within our duties to suggest amendments to correct any defects that may exist or to provide for any conditions that the present legislation did not contemplate.

In addition to legislation necessary to give effect to the recommendations made elsewhere in our reports, including interim reports, we make the following recommendations:

In our interim Report No. 3 we recommended certain amendments to Section 101 of the Customs Act, and note that in the legislation passed in the year 1927 the changes which we recommended were made and the Act in its present form appears to completely cover the situation which confronted us in dealing with *in transitu* shipments of liquor.

It was represented to us by officials of the Department, also by Counsel for the Commission, that doubts had arisen and were still existing as to the powers of the officers under section 154 of the Customs Act to seize vessels in territorial waters when outside the distance of one league mentioned in the said section. It would appear that the view of the Department has not at all times been the same as to the proper interpretation to be placed upon this section, and we think it desirable that legislation should be passed to clear up the difficulty, and that section 154 with the complementary section 210, which provides the procedure and penalty, should be so amended as to permit of the seizure of the vessel anywhere within territorial waters or within the distance of one league from shore.

It would also appear desirable that legislation should be enacted to provide for the seizure outside of territorial waters of any vessels registered in Canada engaged or suspected of being engaged in smuggling operations into Canada.

We think such legislation would materially improve the situation, particularly on the eastern coast of Canada where smuggling by vessels appears to be a very prevalent practice.

Our attention has also been drawn to the provisions of sections 96, 98 (1), and 246 of the Customs Act, and to the judicial interpretation which had recently been placed thereon.

The decision referred to points out that under section 96 the duty of the master of every vessel bound outwards from any port in Canada to any foreign port or to any place within Canada coastwise or by inland navigation is to deliver to the collector a report outwards giving the particulars as required by that section, but that under section 246 already referred to there is no penalty for making a false entry outwards, and that the penalty prescribed in that section is limited in its application to answering falsely or untruly questions or violating certain other provisions in respect to the voyage.

The provisions as to the entry outwards is thus ineffective and it appears to us to be a proper case for legislative action, as we have found in the course of our investigations that false entries outwards have been made in respect of many vessels.

Our investigations disclose that in the case of several prosecutions for violations of section 206 of the Customs Act, great difficulties were met in securing convictions owing, it was alleged, to the reluctance or repugnance of Jurors to convict when the minimum penalty to be imposed was one year's imprisonment.

The general consensus of opinion of witnesses examined before us who had to do with prosecutions was that the provisions of this section as to punishment instead of operating only as a deterrent to the Commission of the offence operates with greater effect in preventing the securing of convictions and the punishment of the offender.

We note that in the Act passed in 1927, being an Act to amend the Customs Act (17-18 George V, Chapter 50), the cognate sections of the Customs Act, namely 187, 192, 195, 196, 197 were amended so as to provide alternative punishment to imprisonment, and we are of the opinion that section 206 should be amended in a similar manner.

We are of opinion that the legislation exempting from taxes intoxicating liquors made in Canada when released from bond for export should be repealed in the interests of the revenue and as a means of rendering less probable and profitable the smuggling of such liquor back into Canada.

FINAL
REPORT

TREATY WITH THE UNITED STATES

There was committed to us *inter alia* the duty of inquiring into and reporting on the operation of the Treaty made between the Dominion of Canada and the United States of America dated June 6, 1924, for the suppression of smuggling along the International boundary between the Dominion of Canada and the United States of America, and as to whether the said Treaty is being carried out according to the declared intent thereof, and as to whether any amendments to the said Treaty are necessary or desirable to insure the suppression of smuggling, and generally to consider and to report what legislative or administrative measures in addition to those set forth in the report of the Special Customs Committee submitted to the House of Commons on the 18th day of June, 1926, are necessary or desirable to insure the suppression of smuggling and the enforcement of the Customs and Excise laws of Canada.

In pursuance of the duties so entrusted to us, we took evidence in the various parts of Canada, and especially those places bordering on the International boundary where the smuggling was prevalent. We also had a conference with the officers of the United States Government who were particularly charged with the duty of suppressing smuggling.

After due consideration of the evidence and of the representations made by the officers of the United States, we have concluded that notwithstanding the provisions of the said Treaty and the regulations of the Department to carry the same into effect, smuggling is still persisting on a somewhat extensive scale.

This smuggling has been greatly facilitated by individuals, firms and corporations carrying on business in certain provinces in Canada as exporters of liquors. In Interim Report No. 3, we dealt with certain phases of this matter and made certain recommendations in respect of *in transitu* and coastwise shipments of liquor, and legislative action followed with beneficial results.

At the time of the Treaty and since considerable quantities of liquor, upon which excise duties had not been paid, were exported in bond for alleged destinations other than the United States. The Customs Act and the regulations thereunder require that in such cases a bond should be given requiring liquors to be exported out of Canada to the port named in the Customs entry, and requiring a landing certificate from the proper officers of the port of destination, and that in default of the obtaining of such landing certificate and compliance with the other conditions the bond should become due and payable.

The evidence adduced before us disclosed that a great majority of such shipments never reached the named destination, and the inference was strong that the liquor comprised in such shipments had been smuggled into the United States. In many cases landing certificates were produced to Customs that our investigation showed to be forged and fraudulent. In some cases the bonds were released, but in other cases the Department was not satisfied, and the bonds are still outstanding. We have dealt with this aspect of the matter in our Interim Report No. 10.

For some time past an additional method has been adopted which is to export duty-paid liquor. The practice is to enter at Customs the liquor as being for export to certain ports in the United States, but the liquor is never landed at a port recognized by the United States authorities, and is smuggled into that country in various places where there are no recognized ports or customs houses.

Many regulations have been framed and enacted for the purpose of meeting this method of smuggling, but they have proved ineffective.

We are convinced that the export houses are established in practically every case for the sole purpose of selling liquor to be smuggled into the United

States and that they exist for no legitimate purpose whatever. Some of these export houses have Customs bonds, and we would recommend that all these bonds be cancelled.

As all of the Provinces of Canada have either assumed control over the sale of liquor or have prohibited it altogether, the principle of the Doherty Act should in our opinion be extended to prohibit the export from any of these provinces by anyone other than the Provincial Governments or the manufacturer.

We also express our entire concurrence in the recommendation of the Special Committee of the House of Commons as contained in paragraph 10 of that Committee's report. An effective method of carrying out the intent of the Treaty referred to would be to prohibit clearances to vessels or vehicles of all kinds carrying a cargo of liquor to the United States, contrary to the laws of that country.

Reviewing the whole situation, our conclusion is that if these suggestions are adopted and embodied in legislation or regulation, no amendment to the Treaty is necessary to carry out its true intent and purpose.

ACKNOWLEDGMENTS

To all the officers of the Commission and all others associated with them in the work of the Commission, we desire to express our appreciation of the services rendered, and to acknowledge the efficiency and fidelity with which their respective duties were performed.

We wish also to express here, as we have done elsewhere, our appreciation of the Court House facilities that have been placed at our disposal by the Governments of the several provinces and which have greatly facilitated our work.

We desire further to call attention to and express our appreciation of the courtesy shown us at the Washington Conference by the Government of the United States in affording us much useful information and many helpful suggestions in connection with the work which we had in hand.

Finally, we wish to acknowledge the courtesy and help extended to us during the Washington Conference by the Canadian Legation at Washington.

All of which is respectfully submitted.

(Sgd.) J. T. BROWN,
W. H. WRIGHT,
ERNEST ROY,
Commissioners.

OTTAWA, October 15, 1927.

FINAL
REPORT

110

The first of these is the fact that the University of Chicago is a private institution. This means that it is not subject to the same public scrutiny as a public university. This is a double-edged sword. On the one hand, it allows the University to make its own decisions about its policies and procedures. On the other hand, it also means that the University is not accountable to the public in the same way as a public university.

The second of these is the fact that the University of Chicago is a research institution. This means that its primary focus is on the advancement of knowledge through research. This is a noble goal, but it also means that the University may not always be the best place to teach undergraduate students. The University's resources are often directed towards research, which can leave less time and money for teaching.

The third of these is the fact that the University of Chicago is a highly selective institution. This means that only the most talented students are admitted. This is a good thing, as it ensures that the University has the highest quality students. However, it also means that the University is not representative of the general population. This can lead to a lack of diversity in the student body and in the faculty.

The fourth of these is the fact that the University of Chicago is a highly expensive institution. This means that only students with significant financial resources can afford to attend. This is a major barrier to access for many students, and it can lead to a lack of social mobility.

THE UNIVERSITY OF CHICAGO

The University of Chicago is a private research university located in Chicago, Illinois. It was founded in 1890 and is one of the most prestigious universities in the world. The University is known for its high academic standards and its commitment to research. It has a long history of producing world-class scholars and leaders in various fields.

The University of Chicago is a highly selective institution. It has a very low acceptance rate, and only the most talented students are admitted. This is a good thing, as it ensures that the University has the highest quality students. However, it also means that the University is not representative of the general population.

The University of Chicago is a highly expensive institution. It has a very high tuition rate, and only students with significant financial resources can afford to attend. This is a major barrier to access for many students, and it can lead to a lack of social mobility.

The University of Chicago is a highly prestigious institution. It has a long history of producing world-class scholars and leaders in various fields. This is a good thing, as it ensures that the University has the highest quality faculty. However, it also means that the University is not representative of the general population.

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